

Executive Summary and Overview

The recreational transportation sector is perhaps the only labor-intensive sector of the U.S. economy that supports a positive trade balance. With growth projected into the future and burgeoning international demand for U.S. products, exports are expected to reach \$10.3 billion in 2017, supporting 180,000 American jobs. This Top Markets Report provides a useful context in which to view global opportunities and compare various markets around the world.

The recreational transportation sector is composed of boat building, motorcycles, bicycles, recreational vehicles (RVs) and miscellaneous transportation (golf cars, snowmobiles and all-terrain vehicles or ATVs). The International Trade Administration (ITA) expects the sector to continue its healthy growth over the next three years, punctuated by expanding markets both at home and abroad.

The U.S. exports-to- shipments ratio for the sector is estimated at 30 percent, meaning that exports already play an important part in the sector's growth trajectory – something that should continue as international markets expand through 2017.

This *Top Markets Report* is intended to provide a candid assessment of various markets around the world and offer useful context in which to view global opportunities. It also can serve as a guide for accessing U.S. Government programs that can benefit exporters competing in markets abroad.

Recreational Transportation Exports

The biggest advantage and challenge facing recreational transportation producers is the size and vitality of the existing U.S. market. Americans love to “work hard, play hard!” As a result, the U.S. market for recreational transportation accounts for over half the global demand for these products.

U.S. manufacturers often produce the highest quality products at lower costs than many competitors

because of economies of scale. Japan and Europe, for example, produce many recreational transportation products, but often at a cost disadvantage or with far less quality than many American-made products.

The size of the American market, as well as changing consumer tastes, has also created a demanding domestic market, stimulating a pace of product development that is faster than overseas markets. As a result, the United States produces more products than any other market, and more innovative products. This combination should continue to provide an important advantage for U.S. suppliers in the global market for the foreseeable future.

However, U.S. manufacturers can sometimes be content to serve and develop the U.S. domestic market at the expense of smaller overseas markets. The largest manufacturers understand that all markets are important, but small and medium-size manufacturers often ignore export opportunities until there is a downturn in local demand.

Too often, once a downturn in the U.S. economy happens, it is too late to shift to export markets, causing smaller manufacturers that could have been supporting international consumers to suspend production or go out of business.

While there are many strong markets for recreational transportation products, Canada is by far the largest export destination. Thirty-nine percent of all recreational transportation exports are sent to Canada.

Figure 1: Projected Top Markets for Recreational Transportation Exports (2015-2017)

1. Canada	11. Netherlands	21. Sweden
2. Belgium	12. Italy	22. Korea
3. Australia	13. Spain	23. Costa Rica
4. Mexico	14. United Arab Emirates	24. Norway
5. Japan	15. Finland	25. Colombia
6. China	16. New Zealand	26. South Africa
7. Germany	17. France	27. Vietnam
8. Brazil	18. Taiwan	28. Malaysia
9. Singapore	19. Hong Kong	29. Saudi Arabia
10. United Kingdom	20. Russia	30. Chile

With virtually no trade barriers, most American manufacturers treat sales to Canada no differently than domestic sales. Furthermore, regulatory requirements are nearly identical in both markets.

The second largest market according to U.S. trade figures is Belgium. Belgium is the leading transshipment point for Europe. American branded outboard marine engines are manufactured in Belgium, so U.S. boats are exported there to have an engine attached for distribution throughout Europe. In addition, U.S. motorcycles also enter Europe in Belgium and are then shipped to dealers in many European nations.

Australia is the third largest destination for U.S. recreational transportation products. As stated earlier, U.S. manufacturers' top priority is servicing the North American market. Since Australia's summer season is opposite from ours, U.S. manufacturers can devote more time seeking sales opportunities in Australia. In addition, Australian and U.S. consumers share similar tastes, abundant outdoor recreational terrain, and overall recreational interests.

Mexico is the fourth largest destination for U.S. exports. The key for Mexican growth is consumer confidence and the growth of personal disposable income. A big factor for consumer confidence is security. Can consumers feel comfortable on the roads and waterways in high quality recreational transportation products?

Japan is the fifth largest destination for U.S. exports. Japan used to be the second largest market for the sector back in 2002, but with long-term economic stagnation, disposable income growth slowed, and saturation in the market, opportunities are harder to find. But even under these conditions, Japanese consumers like and demand U.S. recreational products. Harley-Davidson Motor Company is the leading supplier of large motorcycles in Japan despite significant competition from local manufacturers.

Other notable Top Ten markets are China (6th) and Brazil (8th). These markets are key priorities for U.S. recreational transportation manufacturers. These large markets are seeing their greatest growth in their middle class populations, the primary purchaser of these products.

Optimizing U.S. Leverage

If you ask overseas consumers what they like and want from the United States, the most often heard term is the "American lifestyle" and products associated with that. Nothing screams America like the roar of a Harley-Davidson motorcycle, the comfort an Airstream travel trailer, or the fun of cruising on a Sea Ray boat on a lake. Often these are the dreams that foreign consumers aspire to.

As overseas economies improve, more and more consumers have the disposable income to afford these products. In most cases they do not want local products; they want the iconic American products that signify "American lifestyle fun!" Helping U.S. exporters deliver this message and showcase available products is therefore a cornerstone of export promotion in the sector.

In order to capitalize on overseas buyers' desire for American recreational products, U.S. exporters can look for U.S. Government programs, including both the International Buyer Program and the Certified Trade Fair Program. In addition, the International Trade Administration's Commercial Service's (CS) Gold and Platinum Key services continues to be a great tool for U.S. companies to use. Other notable programs that may provide opportunities to engage the U.S. Government include: the International Company Profile and the Small Business Administration (SBA) and Export-Import Bank (ExIm) loan programs.

The United States has the world's strongest and most product-specific standards, but some of these standards are developed by private organizations like the American Boat and Yacht Council and the Recreation Vehicle Industry Association. Meanwhile, the EU has developed its own set of standards that are in some cases functionally equivalent like boats and motorcycles, but are more costly or burdensome to implement. Third-country regulators can be hesitant to adopt private voluntary U.S. standards, as certification to these standards is not as transparent as European standards are. Yet European regulations have additional cost burdens. In some instances, regulators combine provisions for these two international standards, producing hybrid regulations, which are usually highly troublesome to foreign suppliers.

Another challenge is that foreign markets often see recreational products as luxury items and thus feel content to limit their importation by imposing high tariffs and/or taxes. In the United States, these

products are designed for the middle class and are used on vacations to avoid the higher cost of hotels, airfare, and other vacation costs.

For example, despite little or no competition, RVs, boats, and large motorcycles have high tariffs in several Asian markets. The tariffs for certain types of RVs in China are 80 percent. When all taxes and tariffs are applied, an RV selling in the United States for \$100,000, sells for \$235,000 in China, effectively changing how these products are marketed. With the additional tariff cost, an RV is no longer a way to avoid the costs of hotels and restaurant meals but only as a way to escape back to nature.

The recreational marine product sector is the largest exporting segment of this sector as total U.S. exports of such products are forecast to reach \$2.9 billion in 2017. The next largest exporting sector is the RV industry. Total exports of these products are forecast to top \$2.2 billion in 2017. The final two industry segments, miscellaneous vehicles, and motorcycles have U.S. exports that are forecast to reach \$2.1 billion and \$1.8 billion, respectively, in 2017.

Methodology

Accurately assessing the recreational transportation trade is difficult and results are often inexact. Coupling projections of future trade with future economic developments – either by product or country – given the sector’s reliance on overseas consumer confidence and personal disposable income growth is often even more problematic. ITA has sought to be clear about the assumption made in its analysis and welcomes commentary on ways to improve this *Top Markets Report*.

To project the size of each country’s potential export market for U.S. companies, ITA looked at past growth and the projected growth of each country’s GDP. Additional information on industry expectations and priorities, market size, and other economic conditions were incorporated when available. This sector, however, is subjected to high growth and decline rates due to the fact that these are discretionary purchases.

Caveats

As stated previously, this sector is highly labor intensive. For some products like bicycles and small motorcycles, only high-end or niche domestic product manufacturers are globally competitive. In addition, several products within the trade statistics for the

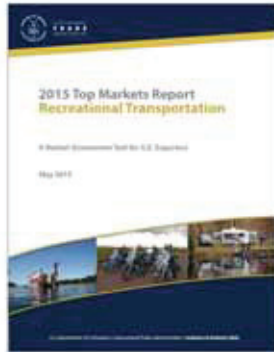
miscellaneous manufacturing, RV, and boat sectors, are not recreational in nature but rather are designed and built for commercial and industrial purposes. Exclusion of these products from this analysis and the underlying data is not possible. Fortunately, these products are still manufactured by predominately recreational companies.

Case Studies

ITA identified Canada and China for an in-depth case study of the overall recreational transportation industry sector. Since these various recreational products have unique issues, additional case studies are written about one particular subsector.

Each case study provides commentary on the opportunities and challenges that U.S. exporters may encounter in specific markets.

The report also includes snapshots of the different recreational transportation subsectors. When possible, subsector rankings have been provided, which should support a better targeting of export promotion activities towards those events and strategies most supportive of U.S. exports within these markets.



This case study is part of a larger Top Markets Report. For additional case studies or to view other Top Markets Report, please visit: www.trade.gov/topmarkets



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